Security Federal

Trust Department

Inheritance protection plans

Thoughtful planning may create a lasting legacy.

Those who have built wealth during a lifetime of hard work are rightfully concerned about how best to use that wealth for family financial security. As has been noted often, the wealthy want their heirs to have enough to be able to do anything, but not so much that they don't have to do something. Now more than ever, a family fortune is something to be protected and nurtured.

What is the answer? How can wealth be conserved and deployed on a long-term basis for the benefit of heirs? Trusts could be the answer, for many families.

Trust planning comes immediately to mind when planning for a surviving spouse or an heir who is a minor. With a trust one gets professional investment management guided by fiduciary principles. But what about when the children are fully grown, established in their careers and financially mature, in their 30s or even 40s? Even then, trust-based planning will be an excellent idea for many affluent families.

Trust advantages

Among the key benefits that can be built into a trust-based wealth management plan:

Professional investment management. A significant securities portfolio is a wonderful thing to have, but it requires serious care and attention, especially when economic growth is weak; interest rates are low; and taxes are uncertain. How can adequate income be provided to beneficiaries without putting capital at risk? What is the best balance between stocks and bonds?

Creditor protection. One of the most frequent questions that we hear is, "How can I keep my money and property out of the hands of my son-in-law (or, sometimes, mydaughter-in- law)?" answer: Use a trust to own and manage the property, and give your heir the beneficial interest in the trust instead of the property. A carefully designed trust plan can protect assets in divorce proceedings, as well as protect from improvident financial decisions by inexperienced beneficiaries.

Future flexibility. Parents typically have a fuzzy definition for treating their children "equally." As each child is unique, his or her needs may need financial support that is out of proportion to that of siblings. By utilizing a trust for wealth management, one may give a trustee a similar level of discretion, permitting "equal treatment" on something other than gross dollar terms. The trust document may identify the goals of the trust and provide standards for measuring how well the goals are being met for each of the beneficiaries.

We specialize in trusteeship and estate settlement. We are advocates for trust-based wealth management planning. If you would like a "second opinion" about your estate planning, if you have questions about how trusts work and whether a trust might be right for you, we're the ones you should turn to. We'll be happy to tell you more.

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Trusts for children

Support trust	For an adult child who needs a permanent source of financial support, with the trust principal protected from the claims of creditors, a support trust may provide a solution. The beneficiary's interest is limited to just so much of the income as is needed for his or her support, education and maintenance.
Discretionary trust	The trustee has sole discretion over what to do with the income and principal, just as the grantor does before the trust is created. The beneficiary has no interest in the trust that can be pledged or transferred. When there are multiple beneficiaries, the trustee may weigh the needs of each in deciding how much trust income to distribute or reinvest, when to make principal distributions, and who should receive them. The trust document often will include guidelines on such matters.
Gift-to-minors trust.	For young children, contributions of up to $14,000 per year to this sort of trust will avoid gift taxes. Assets may be used for any purpose, including education funding, and will be counted as the child's assets for financial aid purposes. The assets of a gifts-to-minors trust must be made fully available to the child when he or she reaches age 21. However, the child may be given the option of leaving the assets in further trust.

Source: M.A. Co.

Do you have a question concerning wealth management or trusts? Send your inquiry to Suzanne at suzanne@secfedbank.com or to Jon-Myckle at jmp@secfedbank.com. You can also give us a call at 574-722-6261.

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